

**STATEMENT REGARDING
RAISED BILL NO. 1054: AN ACT CONCERNING
ANNUAL ADJUSTMENTS TO ASSESSMENT RATES**

**FINANCE, REVENUE AND BONDING COMMITTEE
MARCH 18TH, 2013**

Good morning Senator Fonfara, Representative Widlitz, Senator Frantz, Representative Williams, and members of the Committee. My name is Oz Griebel, and I am President and CEO of the MetroHartford Alliance. I am here today to testify in favor of the principal concepts set forth in Raised Bill No. 1054 and to propose suggestions along the lines of a similar bill that this Committee supported in the 2012 legislative session.

The Alliance is the Region's economic development leader and the City's Chamber of Commerce. Our investors include businesses of all sizes, health care providers, institutions of higher education, and municipalities, and our mission is to ensure that the Region competes aggressively and successfully for jobs, capital, and talent. All of our investors support the five specific goals of our four year Strategic Plan for 2012 through 2015, one of which is to ensure that the Capital City is the dynamic urban core of the Region.

I'm here today representing a group of our investors: commercial property owners in the City that include some of the City's largest private sector employers and several entrepreneurs who own property and operate businesses in various City neighborhoods. I'm pleased that several members of the group are here to testify about specific aspects of Raised Bill.

This group has worked together for several years in support of our strategic focus on the City and are committed to helping the City substantially grow its Grand List and thereby generate the revenue needed to fund the breadth and competency of services expected by its residents and other taxpayers. Substantial Grand List growth, in turn, requires an equitable and predictable tax structure to attract the private capital required to renovate and construct the commercial properties that house entertainment, financial, and manufacturing businesses. The willingness of the private sector to invest in such properties depends on its confidence in the City's ability to control spending and to produce a mill rate that is competitive with those of other municipalities in the Region and thereby expand the overall tax base.

As you know, the City is the only Connecticut municipality that has three separate assessment ratios: one for residential properties (currently 29.2%); one for apartments (currently 50%); and one for commercial properties (70%). All other municipalities assess their taxable properties at 70% of fair market value. We note that significant

progress was made toward moving the City to a more competitive tax structure in 2006 with the passage of legislation that eliminated over five years an onerous 15% surcharge on commercial properties.

Nonetheless, the continuation of the three assessment ratios remains a significant albatross around the City's neck and impedes its ability to leverage the State's significant investment in the City over the past 15 years. The most recent example of such investment is the creation of the Capital Region Development Authority ("CRDA") by the Governor and this Legislature and the commitment of \$60 million for CRDA to invest in additional downtown rental units.

To illustrate that albatross and its detrimental impact on both businesses and Grand List growth, I have included several attachments. Attachment I summarizes the history of the City's adjusted tax levy and its mill rate since 1990. Attachment II compares the relative commercial and residential property taxes paid by owners of a hypothetical \$214,286 property in the City and in several other Connecticut municipalities. You will note the significant disproportionate burden borne by the City's commercial property owners which is then compounded by the mill rate applied to equipment and motor vehicles. While business owners and commercial real estate developers take many factors into account in making location and investment decisions, a municipality's total tax assessment is clearly one of the most important.

Attachment III is Senate Bill 399 as amended with appropriate date revisions to reflect the passage of one year. The Finance Committee unanimously adopted the Bill on April 3, 2012 on the basis that it reflected substantial agreement among Mayor Segarra, several members of the then Hartford delegation, and our working group. Unfortunately, that consensus broke down in the final days of the 2012 session. We greatly appreciate the leadership that Senator Fonfara provided on Senate Bill No. 399 last year and his continued willingness to champion similar legislation this session that will enable the City to compete more effectively for private sector investment.

Over the past several months, we have discussed the issue with Senator Fonfara, Mayor Segarra, Representative Matt Ritter and other members of the Hartford delegation, City Council President Shawn Wooden and other Council members, members of Governor Malloy's office, and members of CRDA. In those meetings, we have reviewed the materials set forth in Attachments I, II, and III and the goals of the proposed legislation.

We've also included as Attachment IV the OLR analysis of Senate Bill No. 399 and highlight the same key provisions of Attachment III:

- the increase in the apartment assessment ratio as set forth in Section 4(c) to 60% in FY'14, to 65% in FY'15, and to 70% in FY '16;
- the establishment in Section 4(d) of a Residential Assessment Ratio ("RAR") in FY'14 of 34%; and

- the establishment in Section 4(e) of tying the rate of increase in the RAR in FY'15 and beyond to the amount of the annual increase in the adjusted tax levy. The chart immediately below summarizes that rate of increase.

RAR Phase-In	
Change in Adjusted Tax Levy (Current Fiscal Year less Prior Fiscal Year)	Residential Assessment Ratio (RAR)
Reduction of greater than one-half per cent in the Adjusted Tax Levy	No change in RAR
Reduction of less than one-half per cent or an Increase up to \$3 million in the Adjusted Tax Levy	1.5% point RAR increase
Increase of \$3,000,001 to \$6,000,000	2.5% point RAR increase
Increase of \$6,000,001 to \$9,000,000	3.5% point RAR increase
Increase of \$9,000,001 to \$12,000,000	4.5% point RAR increase
Increase greater than \$12,000,000	5.0% point RAR increase

In summary, the goals of Attachment III are identical to those of Senate Bill 399:

- to increase the Grand List by retaining and growing the City's commercial property component;
- to eliminate the RAR insulation of City voters from increases in City spending;
- to provide incentives to the City to restrain the adjusted tax levy;
- to smooth the rate of the RAR increases to 70% over at least an eight year period; and
- to eliminate the competitive burden that Hartford faces vis a vis other municipalities as a result of its assessment differential and the resulting destructive high mill rate.

For all of these reasons, the Alliance respectfully and enthusiastically asks the Committee to support Raised Bill No. 1054 as amended per Attachment III. I thank you for your consideration and am happy to respond to any questions.

Attachment I

City of Hartford

<u>Fiscal Year</u>	<u>Adopted Adjusted Tax Levy</u>	<u>Change</u>	<u>Mill Rate</u>
1990 – 1991	\$208,927,130	N/A	34.40
1991 – 1992	\$207,481,230	-\$1,445,900	34.40
1992 – 1993	\$208,752,770	\$1,271,540	34.40
1993 – 1994	\$205,619,000	-\$3,133,770	34.40
1994 – 1995	\$200,233,440	-\$5,385,560	34.40
1995 – 1996	\$184,199,710	-\$16,033,730	33.40
1996 – 1997	\$175,575,260	-\$8,624,450	32.40
1997 – 1998	\$171,401,750	-\$4,173,510	31.40
1998 – 1999	\$160,895,470	-\$10,506,280	29.88
1999 – 2000	\$160,770,830	-\$124,640	29.50
2000 – 2001	\$157,131,320	-\$3,639,510	47.00
2001 – 2002	\$165,405,100	\$8,273,780	48.00
2002 – 2003	\$170,959,770	\$5,554,670	48.00
2003 – 2004	\$189,632,460	\$18,672,690	52.92
2004 – 2005	\$198,176,030	\$8,543,570	56.32
2005 – 2006	\$216,323,448	\$18,147,418	60.82
2006 – 2007	\$234,346,280	\$18,022,832	64.82
2007 – 2008	\$236,974,946	\$2,628,666	63.39
2008 – 2009	\$254,239,282	\$17,264,336	68.34
2009 – 2010	\$263,016,986	\$8,777,704	72.79
2010 – 2011	\$269,532,516	\$6,515,530	72.79
2011 – 2012	\$275,144,264	\$5,611,748	72.29
2012 – 2013	\$251,238,853	-\$23,905,411	74.29

Attachment II

<u>TOWNS</u> <u>Tax</u>	<u>FPV</u>	<u>AR</u>	<u>APV</u>	<u>Mill Rate</u>	<u>Residential</u> <u>Property Tax</u>	<u>Commercial</u> <u>Property Tax</u>	<u>Motor Vehicle/</u> <u>Personal Property</u>
Hartford:	\$214,286 (Residential)	70% (29.2%)	\$150,000 (\$65,572)	74.29	\$4,871	\$11,144	\$1,114
East Hartford	\$214,286	70%	\$150,000	42.79	\$6,419	\$6,419	\$642
Waterbury:	\$214,286	70%	\$150,000	41.82	\$6,273	\$6,273	\$627
Bridgeport:	\$214,286	70%	\$150,000	41.11	\$6,167	\$6,167	\$617
New Haven:	\$214,286	70%	\$150,000	38.88	\$5,832	\$5,832	\$583
Manchester	\$214,286	70%	\$150,000	35.83	\$5,375	\$5,375	\$538
West Hartford:	\$214,286	70%	\$150,000	35.75	\$5,363	\$5,363	\$536
Bloomfield:	\$214,286	70%	\$150,000	34.55	\$5,183	\$5,183	\$518
Vernon	\$214,286	70%	\$150,000	33.63	\$5,045	\$5,045	\$505
Hebron	\$214,286	70%	\$150,000	33.55	\$5,033	\$5,033	\$503
Newington:	\$214,286	70%	\$150,000	32.64	\$4,896	\$4,896	\$490
Wethersfield:	\$214,286	70%	\$150,000	32.58	\$4,887	\$4,887	\$489
Windsor:	\$214,286	70%	\$150,000	27.95	\$4,193	\$4,193	\$419

FPV: Full Property Value

AR: Assessment Ratio

AHV: Adjusted Property Value

***Motor Vehicle/Personal Property Taxes are based on a vehicle/property valued at \$21,429 (\$15,000 adjusted value)**

****Apartment Assessment Ratios are currently at 50% being phased in at 5% a year until they are assessed at 70%**

Attachment III

PROPOSED SUBSTITUTE FOR RAISED BILL NO. 1054

AN ACT CONCERNING ANNUAL ADJUSTMENTS TO ASSESSMENT RATES ADOPTED FOR APARTMENT AND RESIDENTIAL PROPERTIES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section1. Section 12-62r of the 2012 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage and applicable to assessment years commencing on or after October 1, 2012*):

(a) For the purposes of this section:

- (1) "Apartment property" means a building containing four or more dwelling units used for human habitation, the parcel of land on which such building is situated, and any accessory buildings or other improvements locations on such parcel;
 - (2) "Residential property" means (1) a building containing three or fewer dwelling units used for human habitation, the parcel of land on which such building is situated, and any accessory buildings or other improvements located on such parcel, (2) common interest communities, as defined in section 47-202, and (3) condominiums, as defined in section 47-68a, that are used for residential purposes;
 - (3) "Base year" means the assessment year commencing October 1, 2011; and
 - (4) "Adjusted tax levy" means the total amount of taxes raised by taxation in a fiscal year by a municipality as provided in the most recent budget adopted by the legislative body and signed by the chief elected official of such municipality.
- (b) Notwithstanding any provision of the general statutes or any special act, municipal charter or any home rule ordinance, any municipality in which the provisions of section 12-62n were effective for the [assessment year commencing October 1, 2011] base year, shall make annual adjustments to the assessment rate charged to apartment and residential property in accordance with

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current fiscal year in accordance with any change in the consumer price index for all urban consumers in the northeast region in the preceding fiscal year. If, after such adjustment, (1) the adjusted tax levy in the current fiscal year exceeds the adjusted tax levy in the prior fiscal year by more than one hundred per cent of the rate of inflation, as determined in accordance with such consumer price index, the assessor, in his or her calculation of the assessment ratios for the next grand list, shall increase the rate of assessment for residential properties from the prior grand list year by five per cent; (2) the adjusted tax levy in the current fiscal year exceeds the adjusted tax levy in the prior fiscal year by more than fifty per cent, but not more than one hundred per cent, of such rate of inflation, the assessor shall increase such rate of assessment by three and one-half per cent; (3) the adjusted tax levy in the current fiscal year exceeds the adjusted tax levy in the prior fiscal year by not more than fifty per cent of such rate of inflation, the assessor shall increase such rate of assessment by two and one-half per cent; (4) the adjusted tax levy in the current fiscal year is equal to the adjusted tax levy in the prior fiscal year, or is less than one-half per cent less than the adjusted tax levy in the prior fiscal year, the assessor shall increase such rate of assessment by one and one-half per cent; and (5) the adjusted tax levy in the current fiscal year is less than the adjusted tax levy in the prior fiscal year by at least one-half per cent, the assessor shall make no change in such rate of assessment.] by comparing the adjusted tax levy used to calculate the mill rate in the current fiscal year to the adjusted tax levy used to calculate the mill rate for the immediately preceding fiscal year. If, after calculating such difference, (1) the difference in the adjusted tax levy by such municipality in the current fiscal year is greater than one-half per cent less than the adjusted tax levy in the preceding fiscal year, the assessor, in his or her calculation of the residential assessment ratios for the next grand list, shall make no change in the rate of assessment for residential properties from the preceding assessment year; (2) the difference in the adjusted tax levy by such municipality between the current fiscal year and the preceding fiscal year is equal to or less than one-half per cent less, and equal to or less than three million dollars, then the assessor, in his or her calculation of the assessment ratios for the next grand list, shall increase the rate of assessment for

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receipt of such petition by the town clerk and shall be conducted in accordance with the provisions of chapter 90. Such budget shall not become effective unless a majority of the electors voting in such referendum vote in favor thereof. Only one referendum may be held, and, if the vote is against the budget, [such municipality shall so adjust the budget as to limit any increase to be equal to or less than two and six-tenths per cent.] the budget as adopted in the preceding fiscal year as adjusted by the amount necessary to meet the funding requirements of the Pension Commission and legally and contractually required increases, as certified by the finance director, shall be deemed to be the budget of such municipality for the ensuing fiscal year, and expenditures shall be made in accordance therewith.

- (g) Notwithstanding the provisions of section 12-55 regarding the date of publication of the grand list, the assessor or board of assessors in any municipality that adopts the property tax system under this section shall publish the grand list for such municipality for the assessment year commencing October 1, 2012, not later than fifteen days after the effective date of this section. In each case of any increase in valuation of a property above the valuation of such property in the last-preceding grand list, the assessor or board of assessors shall mail a written notice of assessment increase to the last-known address of the owner of the property the valuation of which has increased, as provided in subsection © of section 12-55.
- (h) (1) Except as provided in subdivision (2) of this subsection, notwithstanding the provisions of section 12-112, the assessment year commencing October 1, 2012, any person claiming to be aggrieved by the actions of the assessor or board of assessors pursuant to this section may proceed as provided in section 12-111, provided (1) such appeal shall be filed, in writing, on or before the tenth business day after receipt of the written notice of assessment increase, (2) the board of assessment appeals shall notify each aggrieved person who filed a written appeal in the proper form and in a timely manner, not later than September 1, 2013, of the date, time and place of the appeal hearing, and (3) such board shall notify such person not later than September 1, 2013, that such board has elected not to conduct an appeal hearing, in which case the appellant may appeal directly to the Superior Court pursuant to section 12-117a.

OLR Bill Analysis

sSB 399

**AN ACT CONCERNING ANNUAL ADJUSTMENTS TO
ASSESSMENT RATES ADOPTED FOR APARTMENT AND
RESIDENTIAL PROPERTIES.**

SUMMARY:

PA 11-212 required a municipality that met certain conditions to make annual adjustments to the assessment ratios for residential and apartment property, beginning with the 2011 assessment year, as long as the assessment ratio for any property class did not exceed 70%. It applied to any municipality that, in the 2010 assessment year, was implementing the law that allows towns to provide a special property tax relief program. Hartford is the only municipality that used this program and is thus the only municipality the act affects.

This bill modifies the act's annual residential and apartment property assessment ratio adjustments. Among other things, it:

1. adjusts the assessment ratios for the 2011 assessment year (which began October 1, 2011, for taxes due in FY 13) for residential and apartment property to 27% and 60%, respectively, of fair market value;
2. bars the city from simultaneously phasing in assessment increases from a revaluation;
3. requires Hartford's assessor to publish the 2011 grand list, within 15 days of the bill's passage, and issue assessment increase notices to property owners; and
4. allows aggrieved property owners to appeal their assessments to the board of assessment appeals.

required him to do so by January 31 or upon completing the grand list, whichever is later. The residential assessment ratio calculated each year is the base ratio for calculating the following year's residential assessment ratio.

Table 1. Residential Property Assessment Ratio Adjustments

<i>CURRENT LAW</i>		<i>BILL</i>	
<i>If the Adjusted Tax Levy in the Current Fiscal Year (Adjusted for Inflation)</i>	<i>Increase in Residential Property Assessment Ratio</i>	<i>If the Adjusted Tax Levy Used to Calculate the Mill Rate in the Current Fiscal Year</i>	<i>Increase in Residential Property Assessment Ratio</i>
Is less than that of the prior FY by more than 0.5%	None	Is less than that of the prior FY by more than 0.5%	None
Is equal to or less than 0.5% less than that of the prior FY	1.5%	(1) Is equal to or less than 0.5% less than that of the prior FY and (2) if the difference is less than or equal to \$3 million	1.5% points
Exceeds that of the prior FY by 50% of the inflation rate or less	2.5%	Exceeds that of the prior FY by between \$3 million and \$6 million	2.5% points
Exceeds that of the prior FY by between 50% and 100% of the inflation rate	3.5%	Exceeds that of the prior FY by between \$6 million and \$9 million	3.5% points
Exceeds that of the prior FY by more than 100% of the inflation rate	5%	Exceeds that of the prior FY by between \$9 million and \$12 million	4.5% points
		Exceeds that of the prior FY by more than \$12 million	5% points

The bill expands the definition of residential property to include (1) common interest communities and (2) condominiums used for residential purposes. Current law defines residential property as any building, land, and accessory building and improvements having one

PA 11-212 allows voters in Hartford to petition for a referendum on any budget that increases the tax levy by more than 2.6% over that for the prior fiscal year. The bill (1) specifies that the referendum is on the budget proposed for the following fiscal year, rather than the budget for the fiscal year already in progress and (2) changes the trigger for the referendum to an increase in the tax levy of more than \$6 million over that in the current fiscal year. As under current law, 1% of voters must petition for the referendum by June 15.

Under PA 11-212, if voters did not approve the budget, the city was required to limit the tax levy increase to 2.6%. The bill instead requires that the budget revert to the preceding fiscal year's budget, adjusted by the amount necessary to meet the Pension Commission's funding requirement and any legally and contractually required increases certified by the finance director.

BACKGROUND

Hartford's Property Tax Relief Program, 2006 – 2010

PA 06-183 allowed Hartford to implement a special property tax relief program for residential and apartment property from 2006 to 2010. Instead of assessing all real property at 70% of fair market value, the act allowed Hartford to assess different types of property at different rates. It required the Hartford assessor to calculate two annual assessment ratios, one for residential and apartment property classes and one for all other classes. The two ratios had to produce, in the revaluation year and each of the four following years (2006 through 2010), an average annual property tax increase attributable to the revaluation of 3.5% for residential and apartment classes.

PA 06-183 required the city to use the revenue from the tax increases on residential and apartment property to proportionately reduce the 15% tax surcharge on the other property classes that had been in place since Hartford instituted its property "tax cap" program in 1990. The surcharge had to be no more than 7.5% in the October 1, 2010 assessment year. PA 06-183 repealed the statute authorizing the surcharge as of the same assessment year.